

Financial Status Report

Prepared by the Finance Department






July 31, 2015

This report summarizes the City of Carlsbad's General Fund revenues and expenditures through July 31, 2015. It compares revenues and expenditures for the first month of Fiscal Year 2015-16 and Fiscal Year 2014-15. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

San Diego County Economic Indicators

Carlsbad's revenue trends appear to mirror the San Diego region in general. Therefore, on a monthly basis, this report will provide the most recent economic data for the area: The San Diego County Economic Indicators. We believe this information provides the reader with some insight on the direction of the local economy.

<p>June 2015</p>  <p>Up 0.40%</p> <p>Index of Leading Economic Indicators</p>	 <p>Up 0.75%</p> <p>Local Stock Prices</p>  <p>Down 0.20%</p> <p>Local Consumer Confidence</p>
 <p>Up 1.21%</p> <p>Building Permits</p>	 <p>Down 0.17%</p> <p>Help Wanted Advertising</p>
 <p>Down 0.31%</p> <p>Unemployment Insurance</p>	 <p>Up 1.12%</p> <p>National Economy</p>

Source: University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators*, August 4, 2015.

According to the USD Index of Leading Economic Indicators Report:

The USD Burnham-Moores Center for Real Estate's Index of Leading Economic Indicators for San Diego County rose 0.4 percent in June. The upward move was led by strong gains in building permits and the outlook for the national economy, while local stock prices were up moderately. These outweighed small declines in initial claims for unemployment insurance, consumer confidence, and help wanted advertising to push the USD Index to its thirteenth consecutive monthly increase.

While still positive, June's increase was the smallest since August of last year. June also saw the number of declining components match the number of advancing ones for the first time since July of last year. But the drops in the declining components were small and could easily turn upward in the months ahead. The outlook for the local economy remains strong for the rest of the year and likely through at least the first half of 2016. The local job market has been strong through the first half of this year, with year-over-year wage and salary employment up 38,500. The growth was broadly distributed over most sectors of the economy, with the leading sectors being professional, scientific, and technical services (+7,800 jobs year-over-year), healthcare (+6,900), leisure and hospitality (+5,200), wholesale and retail trade (+4,800), construction (+3,600), government (+3,200), and manufacturing (+2,700).

Residential units authorized by building permits rose significantly for the sixth straight month. For the first half of 2015, residential units authorized were up over 28 percent compared to the same period in 2014. The gain was distributed evenly between single-family and multi-family units authorized, with the former being up almost 27 percent and the latter up over 29 percent. Both labor market components turned negative in June, breaking long stretches of gains for each. Initial claims for unemployment insurance rose for the first time in 14 months, which is a negative for the Index. On the hiring side of the market, help wanted advertising declined after 10 consecutive monthly increases. Despite the downturns, the seasonally adjusted local unemployment rate dropped to 4.8 percent in June, which compares to 5.2 percent in May and 6.1 percent in June 2014. This was the first time the seasonally adjusted unemployment rate dropped below 5 percent since January 2008. For the second straight month, local stock prices ran counter to the rest of the stock market. In May, they were down when the broader market averages were up, while the opposite occurred in June. Local stock prices increased 6.19 percent in the first half, compared to changes of -1.14 percent, +0.20 percent, and 5.30 percent for the Dow 30, S&P 500, and the NASDAQ Composite respectively. Consumer confidence dropped for the second consecutive month, but as was the case in May, the decline was minor. The national Index of Leading Economic Indicators advanced for the fourth month in a row, with the last three months up strongly. The outlook thus remains positive for the national economy. The "advance" estimate for GDP growth in the second quarter came in at a 2.3 percent annualized rate. This compares to 0.6 percent growth in the first quarter, which was itself an upward revision from the previously reported decline for the quarter.¹

General Fund Revenues

Property Taxes (\$0) – The majority of property tax revenue is collected in December and April each year. No property tax revenue was collected in the month of July 2015, which is consistent with previous fiscal years. According to the County of San Diego Assessor's Office, assessed values in Carlsbad have increased by 5.48 percent for Fiscal Year 2015-16. This is the third year in a row that Carlsbad's assessed values have increased from

year to year, and in line with assessed value increases with other cities in San Diego County for the year. This reflects continued improvement in the housing market and new construction. The increase in this year's assessed values was due to a large increase in the assessed value of commercial properties in the city; the city saw smaller increases in residential and industrial property values for the year. This is the first year since the Great Recession began that the city saw increases in assessed values in all three property components (residential, commercial and industrial).

¹ University of San Diego School of Business Administration, *USD Index of Leading Economic Indicators Up in June*, August 4, 2015.



Transient Occupancy Tax (\$2.1 million) – Transient Occupancy Taxes (TOT) for the first month of the new fiscal year reflect an increase of \$291,000, 16 percent more than the previous year. The city's four largest hotels accounted for 25 percent of the increase. Higher occupancy and room rates throughout most of the city's other hotels also contributed to the increase. Several new hotels have also opened recently; a new 133-room property (Holiday Inn) opened in March 2015, a 100-room property (Fairfield Inn & Suites) opened in April 2015, and a 106-room property (StayBridge Suites) opened in May 2015. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of June 2015.

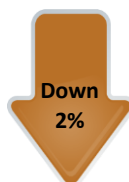
Currently, there are 4,400 hotel rooms and 1,032 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent 12 months has been 71 percent, four percentage points above last year's average.



Sales Taxes (\$1.7 million) – For the first month of the new fiscal year, sales tax revenues are \$136,000 (or 9 percent) higher than the same time period in the previous fiscal year. Sales tax revenues for the year represent the second of three advances of the city's second calendar quarter of 2015 sales tax revenues. Advances are based on prior year activity adjusted by either a positive or negative growth factor, and are not a true indicator of the current economy. The State Board of Equalization (SBOE) applied a positive 8.6 percent growth factor to the monthly advances for the second calendar quarter of 2015.

For sales occurring in the first calendar quarter of 2015 (the most recent data available), key gains were seen in new auto sales, restaurants, leasing and building materials - wholesale. During the same period, key declines were seen in chemical products, service stations, and recreation products. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were down 0.1 percent for sales occurring in the 12 months ended March 31, 2015 over the same 12-month period last year.

The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 67 percent of the city's sales tax revenues.



Recreation Fees (\$674,000) – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. Recreation revenues are down 2 percent compared to July 2014. The primary reason for the decline in revenue was lower than expected participation in the 2015 Carlsbad Triathlon. This year's triathlon took place on the same weekend as the San Diego Comic-Con Convention and the Sonoma County Vineman Triathlon. Competition with these two major events attributed to the 25 percent decrease in triathlon revenue for Fiscal Year 2015-16.



Development Related Revenues (\$492,000) – Development related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflect a significant increase for the first month of the new fiscal year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities, such as plan checks and inspections. Engineering plan check fees are one of the first fees paid during the initial stages of development. Some of the activity in July included residential development at Rancho Costera in Robertson Ranch, the Miles Pacific Subdivision, the 201 Walnut Townhomes, and the new Floral Trade Center.

Another source of development related revenue is building permits, which are down 25 percent compared to last fiscal year. The decrease in building permit revenue is derived from the combination of a decrease in the valuation of new construction as well as a decrease in residential and commercial/industrial permitting activity to date. The year-to-

date valuation of new construction in the current fiscal year is \$16.1 million, while it was \$24.6 million in the previous fiscal year, a 34.6 percent decrease. The pace of residential activity dipped during July with 15 permits being issued for residential homes. In the northwest quadrant, a four-unit multiple-family residential apartment project will be constructed. The applicant demolished an existing single-family home, shed and detached garage to allow for the development of the Juniper Apartments. In the southeast quadrant, eight building permits were issued as part of the Blackstone Ranch project. Lastly, in the southeast quadrant, Davidson Builders will construct three single-family homes as part of the Arterro project. For the current fiscal year, 15 residential permits have been issued, as compared to 34 permits issued during the same period last year.

No permits were issued in the city for new industrial, commercial or office space in July. Year-to-date, there has been no commercial/industrial permits issued, as compared to 19,249 square feet of commercial/industrial permits issued during the same period last year.



Franchise Taxes (\$444,000) – Franchise taxes are generated from public utility sources, such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes are up \$20,000 over the same period last year. Cable television franchise revenues (Time Warner and AT&T) are up by \$26,000. Additional pay-per-view sales, local advertising and equipment rental sales have led to this increase. An increase in trash collection revenue due to more commercial accounts coming online from additional development in the city, led to a \$9,000 increase in trash franchise revenues. A timing difference in the receipt of the quarterly fiber optic antenna system franchise payments has created a negative \$15,000 variance in the current fiscal year.

Approximately 38 percent of the total franchise tax revenue anticipated for the year will be collected from SDG&E during the month of April 2016.



Income from Investments and Property (\$345,000) – For the first month of the new fiscal year, income from investments and property is up \$27,000 compared to the previous fiscal year.

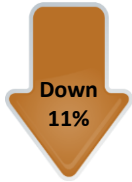
Interest income is up \$40,000 for the year, due to the net effect of a 19 percent increase in the average daily cash balance combined with an 8.6 percent increase in the average yield on the portfolio for the year (an increase in the yield from 1.041 percent last fiscal year to 1.131 percent in the current fiscal year).

Income from property rentals is down by \$13,000 for the year, primarily due to a decrease in cell site leases. This decrease is a reflection of a timing difference and will not be a factor by the end of the fiscal year. Revenues generated from the rental of recreation site facilities (the various park sites as well as Monroe Pool and Senior Center) are almost identical to July 2014.



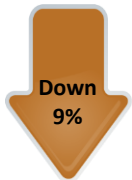
Business License Tax (\$253,000) – Business license revenues are up \$16,000 compared to the same time period in Fiscal Year 2014-15. This is due to an increase in renewal license revenue, indicating an increase in some companies' business volumes. Additionally, one of the city's larger businesses paid its license fee earlier this year than last year.

There are currently 9,641 licensed businesses operating within the city, 254 more than the prior year. The majority of taxed businesses (6,519 businesses) are located in Carlsbad, with 2,477 of these businesses home-based.

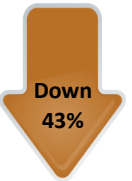


Interdepartmental Charges (\$248,000) – Interdepartmental charges are \$31,000, or 11 percent lower than last year. These charges are generated through engineering services charged to capital projects (up 151.1 percent, or \$46,000) due to a focus on the acceleration of completing projects in the city's Capital Improvement Program (including the hiring of additional engineers); reimbursed work from other funds (flat); and miscellaneous interdepartmental expenses charged to funds outside the General Fund

for services performed by departments within the General Fund (down 31 percent or \$77,000), the result of an updated cost allocation plan.



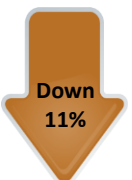
Other Licenses and Permits (\$98,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity. As the fiscal year progresses, we expect to see these revenues align closer to other development related revenues.



Ambulance Fees (\$92,000) – The city bills any individual who is transported in one of the city's ambulances. For the month of July 2015, receipts from ambulance fees are down 43 percent, or \$68,000, lower than last fiscal year at this time. The city is in the process of transitioning to a new ambulance billing company. This has resulted in a slight delay in billing new transports. The number of billable transported patients in the first month of Fiscal Year 2015-16 (234) versus Fiscal Year 2014-15 (333) has decreased significantly.

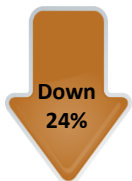


Fines and Forfeitures (\$77,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The moderate increase to date represents an increase in moving violations partially offset by a decrease in parking citations for the first month of the new fiscal year.



Other Revenue Sources (\$76,000) – Other revenue sources have decreased by \$9,000 and include revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; and miscellaneous reimbursed expenses and refunds of prior year fees. The primary driver in the decrease in the current fiscal year is a reduction in reimbursements

for the costs of special studies or projects for developers as compared to July 2014.



Other Charges or Fees (\$32,000) – Other charges and fees are generated through the sale of city documents, such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services, such as mutual aid response, mall police services, emergency response services, reports, etc. Small decreases in false alarm billings and fire inspection fees for the first month of the new fiscal year account for the variance to date.



Other Intergovernmental Revenues (\$14,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$14,000 received this year are Police Officer Standard Training (POST) reimbursements, Department of Justice vice/narcotics overtime reimbursements, and solar rebates from the Center for Sustainable Energy (Alga Norte Park solar project).

Expenditures

Total General Fund expenditures and encumbrances for the month of July 2015 are \$27.1 million, compared to \$25.2 million at the same time last year. This leaves \$128.6 million, or 82.6 percent, available through the fiscal year ending June 30, 2016. If funds were spent in the same proportion as the previous year, the General Fund would have 82.6 percent available. Excluding the transfers out, contingencies, and non-departmental charges, the percentage available at July 31, 2015 is 89.4 percent, slightly more than the 86.5 percent available at July 31, 2014.

The adopted General Fund budget for Fiscal Year 2015-16 increased by \$10.7 million due to the following factors:

- Increased personnel costs:
 - \$2.1 million in additional salary costs associated with previously negotiated wage increases as well as the net addition of 4.5 full-time staff and 1.74 part-time staff
 - \$1 million in additional retirement costs due to PERS rate increases and higher salaries
 - Increased health insurance and workers' compensation rates
 - Amended hourly salary schedules for part-time employees
- Increased maintenance and operations costs (increase of \$3 million):
 - Increased information technology and fleet internal service funds to address current and future funding requirements of these internal service funds
 - General inflationary adjustments
 - Costs associated with succession planning
 - Expenditure enhancements (Faraday front counter improvements; contractual increases; recodification and republication of the city's Municipal Code; enhancements for the Pay for Performance and Performance Management model; training, repair and replacement for protective gear; arts and cultural development plan; various library and cultural arts enhancements; additional grounds maintenance; new Alga Norte concessions program; etc.)
 - "Out-of-block" increases (internal service fund charges, election expenses, ambulance collection fees, bank fees, animal control, weed abatement, plan check services, recreation class instructors, land management and street lighting costs)
- Increased capital outlay costs including the regional communications system radios (\$1.5 million)
- Increased operating transfers out of the General Fund:
 - a one-time \$1 million transfer to the city's Workers' Compensation Fund to assist with fully funding the actuarially determined workers' compensation claims liability
 - an increase in the transfer to the Infrastructure Replacement Fund due to the projected higher General Fund revenues (the transfer represents 6.5 percent of the projected General Fund revenues for the year)

The City Council has allocated \$1.5 million out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of July 31, 2015, nothing has been authorized out of the contingency account.

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

GENERAL FUND REVENUE COMPARISON					
	EXPECTED BUDGET AS OF 07/31/15	ACTUAL FY 2015 AS OF 07/31/14	ACTUAL FY 2016 AS OF 07/31/15	CHANGE FROM YTD 2015 TO YTD 2016	PERCENT CHANGE
TAXES					
PROPERTY TAX	\$0	\$0	\$0	\$0	0%
SALES TAX	1,647,069	1,572,200	1,707,800	135,600	9%
TRANSIENT OCCUPANCY TAX	1,794,395	1,854,186	2,145,178	290,992	16%
FRANCHISE TAX	393,919	423,336	443,516	20,180	5%
BUSINESS LICENSE TAX	235,294	236,803	252,528	15,725	7%
TRANSFER TAX	0	0	0	0	0%
TOTAL TAXES	4,070,677	4,086,525	4,549,022	462,497	11%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	0	0	0	0	0%
HOMEOWNERS EXEMPTIONS	0	0	0	0	0%
OTHER	3,228	7,803	14,392	6,589	84%
TOTAL INTERGOVERNMENTAL	3,228	7,803	14,392	6,589	84%
LICENSES AND PERMITS					
BUILDING PERMITS	33,061	106,361	80,064	(26,297)	-25%
OTHER LICENSES & PERMITS	65,042	108,695	98,410	(10,285)	-9%
TOTAL LICENSES & PERMITS	98,103	215,056	178,474	(36,582)	-17%
CHARGES FOR SERVICES					
PLANNING FEES	6,123	23,379	36,421	13,042	56%
BUILDING DEPARTMENT FEES	33,300	59,282	73,509	14,227	24%
ENGINEERING FEES	80,305	136,914	301,607	164,693	120%
AMBULANCE FEES	146,333	159,653	91,756	(67,897)	-43%
RECREATION FEES	676,685	689,651	674,189	(15,462)	-2%
OTHER CHARGES OR FEES	24,994	42,046	31,821	(10,225)	-24%
TOTAL CHARGES FOR SERVICES	967,740	1,110,925	1,209,303	98,378	9%
FINES AND FORFEITURES	70,194	71,379	77,106	5,727	8%
INCOME FROM INVESTMENTS & PROPERTY	257,103	318,068	344,762	26,694	8%
INTERDEPARTMENTAL CHARGES	197,650	279,787	248,457	(31,330)	-11%
OTHER REVENUE SOURCES	32,241	84,859	75,549	(9,310)	-11%
TRANSFERS IN	10,000	10,000	10,000	0	0%
TOTAL GENERAL FUND	\$5,706,935	\$6,184,402	\$6,707,065	\$522,663	8%

(1)

(1) Calculated General Fund revenues are 17.5% above estimates as of July 31, 2015.

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2015-16	AS OF 07/31/15		
		AMOUNT COMMITTED (b)	AVAILABLE BALANCE	% AVAILABLE (c)
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$449,820	\$50,392	\$399,428	88.8%
CITY MANAGER	1,955,779	241,510	1,714,269	87.7%
COMMUNITY OUTREACH AND ENGAGEMENT	1,551,519	324,943	1,226,576	79.1%
CITY CLERK	652,195	49,571	602,624	92.4%
CITY ATTORNEY	1,491,210	96,041	1,395,169	93.6%
CITY TREASURER	237,924	14,547	223,377	93.9%
TOTAL POLICY/LEADERSHIP	6,338,447	777,004	5,561,443	87.7%
ADMINISTRATIVE SERVICES				
FINANCE	4,903,177	842,887	4,060,290	82.8%
HUMAN RESOURCES	3,413,371	420,420	2,992,951	87.7%
RECORDS MANAGEMENT	284,912	22,379	262,533	92.1%
TOTAL INTERNAL SERVICES	8,601,460	1,285,686	7,315,774	85.1%
PUBLIC SAFETY				
POLICE	32,919,796	1,896,654	31,023,142	94.2%
FIRE	19,959,823	1,106,535	18,853,288	94.5%
TOTAL PUBLIC SAFETY	52,879,619	3,003,189	49,876,430	94.3%
COMMUNITY DEVELOPMENT				
COMMUNITY AND ECONOMIC DEVELOPMENT	10,111,836	1,901,203	8,210,633	81.2%
HOUSING AND NEIGHBORHOOD SERVICES	871,163	46,629	824,534	94.6%
TOTAL COMMUNITY DEVELOPMENT	10,982,999	1,947,832	9,035,167	82.3%
COMMUNITY SERVICES				
PARKS AND RECREATION	15,946,045	1,807,241	14,138,804	88.7%
LIBRARY AND CULTURAL ARTS	12,722,748	1,222,845	11,499,903	90.4%
TOTAL COMMUNITY SERVICES	28,668,793	3,030,086	25,638,707	89.4%
PUBLIC WORKS				
PUBLIC WORKS ADMINISTRATION	1,667,772	216,157	1,451,615	87.0%
ENVIRONMENTAL MANAGEMENT	441,571	45,537	396,034	89.7%
PROPERTY AND FLEET MANAGEMENT	6,785,154	1,682,274	5,102,880	75.2%
TRANSPORTATION	9,822,116	1,394,836	8,427,280	85.8%
TOTAL PUBLIC WORKS	18,716,613	3,338,804	15,377,809	82.2%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	15,966,372	1,894,225	14,072,147	88.1%
TRANSFERS OUT	12,071,530	11,861,795	209,735	1.7%
CONTINGENCY	1,500,000	0	1,500,000	100.0%
TOTAL NON-DEPT & CONTINGENCY	29,537,902	13,756,020	15,781,882	53.4%
TOTAL GENERAL FUND	\$155,725,833	\$27,138,621	\$128,587,212	82.6%

(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, 2014 citywide fires, and other items not attributed to a specific department.

(b) Total committed includes expenditures and encumbrances.

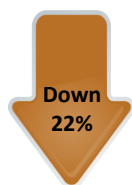
(c) Amount available would be 82.6% if funds were spent in the same proportion as the previous year.

Water Enterprise

WATER OPERATIONS FUND					
JULY 31, 2015					
	BUDGET FY 2015-16	YTD (*) 07/31/2014	YTD (*) 07/31/2015	CHANGE FROM YTD 2014-15 TO YTD 2015-16	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	36,145,000	3,697,705	2,887,836	(809,869)	-21.9%
MISC. SERVICE CHARGES	290,500	24,028	27,735	3,707	15.4%
PROPERTY TAXES	2,929,000	0	0	0	0.0%
FINES, FORFEITURES & PENALTIES	261,000	29,007	17,927	(11,080)	-38.2%
OTHER REVENUES	518,250	48,109	42,025	(6,084)	-12.6%
TOTAL OPERATING REVENUE	40,143,750	3,798,849	2,975,523	(823,326)	-21.7%
EXPENSES:					
STAFFING	3,710,723	194,792	181,585	(13,207)	-6.8%
INTERDEPARTMENTAL SERVICES	2,229,560	180,261	192,269	12,008	6.7%
PURCHASED WATER	19,310,026	1,979,775	1,478,242	(501,533)	-25.3%
MWD/CWA FIXED CHARGES	6,418,659	498,159	506,074	7,915	1.6%
OUTSIDE SERVICES/MAINTENANCE	1,081,112	2,828	15,506	12,678	448.3%
DEPRECIATION/REPLACEMENT	3,630,000	302,367	302,500	133	0.0%
CAPITAL OUTLAY	26,755	0	9,757	9,757	100.0%
MISCELLANEOUS EXPENSES	1,258,459	29,263	18,529	(10,734)	-36.7%
TOTAL OPERATING EXPENSES	37,665,294	3,187,445	2,704,462	(482,983)	-15.2%
OPERATING INCOME/(LOSS)	2,478,456	611,404	271,061	(340,343)	-55.7%

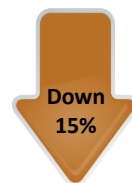
(*) Adjusted to reflect timing differences for water purchases and depreciation.

Revenues



- The decrease in water delivery revenues is the result of an average 5 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2015, offset by a 28 percent decrease in water sales during the first month of the new fiscal year from drought conservation measures.
- Additional new account charges is the primary factor in higher miscellaneous service charges.
- The bi-annual update of the city's cost allocation plan completed in January 2013 continues to impact fines, forfeitures and penalties due to a reduction in many of these fees.
- The decrease in other revenues is the result of lower scrap and recycle revenue.

Expenses



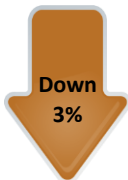
- For Fiscal Year 2015-16, a total of 1.15 full-time positions have been reallocated from other programs to the Water Enterprise to better reflect each programs' workload. However, the decrease is related to accrual timing differences.
- Significant increases in vehicle replacement/maintenance, information technology, and general liability charges due to updated internal service chargeback calculations is reflected in the higher interdepartmental charges.
- A 3.6 percent rate increase in the variable cost of water purchased from the San Diego County Water Authority (SDCWA) netted with a 28 percent decrease in the amount of water purchased, represent the primary drivers in this variance. The decrease is primarily attributable to water conservation measures.
- Replacement servers for the SCADA system are the reason for increased capital outlay expenses.
- A timing difference in electric costs represent the largest factor in the miscellaneous expenses decrease.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND					
JULY 31, 2015					
	BUDGET FY 2015-16	YTD (*) 07/31/2014	YTD (*) 07/31/2015	CHANGE FROM YTD 2014-15 TO YTD 2015-16	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	12,435,000	1,091,387	1,057,830	(33,557)	-3.1%
INTEREST	40,000	4,946	7,018	2,072	41.9%
OTHER REVENUES	305,000	33,089	29,592	(3,497)	-10.6%
TOTAL OPERATING REVENUE	12,780,000	1,129,422	1,094,440	(34,982)	-3.1%
EXPENSES:					
STAFFING	2,303,576	104,685	104,442	(243)	-0.2%
INTERDEPARTMENTAL SERVICES	1,308,398	99,879	104,159	4,280	4.3%
ENCINA PLANT SERVICES	3,349,024	229,791	279,085	49,294	21.5%
OUTSIDE SERVICES/MAINTENANCE	566,260	46,704	43,979	(2,725)	-5.8%
DEPRECIATION/REPLACEMENT	4,225,000	315,750	352,083	36,333	11.5%
CAPITAL OUTLAY	5,748	0	0	0	0.0%
MISCELLANEOUS EXPENSES	735,352	50,289	13,694	(36,595)	-72.8%
TOTAL OPERATING EXPENSES	12,493,358	847,098	897,442	50,344	5.9%
OPERATING INCOME/LOSS	286,642	282,324	196,998	(85,326)	-30.2%

(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.

Revenues



- The decrease in charges for current services is the result of drought conservation measures by commercial and industrial customers that are billed based on water usage. The decrease was tempered by a 2 percent rate increase that went into effect in January 2015.
- Cash balances in the fund have increased from last year by 61.8 percent, impacting interest earnings for the year.
- The decrease in other revenues is the combination of decreases in miscellaneous reimbursed expenses due to the prior year receipt of reimbursements from a sewer overflow.

Expenses



- For Fiscal Year 2015-16, a total of 0.4 full-time positions have been reallocated to the Wastewater Enterprise from other programs to better reflect each program's workload. However, the decrease is related to accrual timing differences.
- Increased interdepartmental charges are the result of updated internal service chargeback calculations.
- Encina plant services to date are a combination of actuals and an estimate of the annual Encina expense prorated on a monthly basis.
- Depreciation expenses have been increasing on an annual basis as the Enterprise acquires new equipment/infrastructure and replaces old equipment/infrastructure.
- A timing difference in electric costs represent the largest factor in the miscellaneous expenses decrease.